

Message Text

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21

ACTION AF-06

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FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 4883

INFO AMEMBASSY BONN

AMEMBASSY DAKAR

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L NOUAKCHOTT 2663

E.O. 11652: GDS

TAGS: EFIN EINV EMIN MR FR

SUBJECT: MIFERMA COMPENSATION: AGREEMENT IN PRINCIPLE

REF: A. NOUAKCHOTT 2378 B. NOUAKCHOTT 2664

1. MIFERMA SHAREHOLDERS AND GOVERNMENT MAURITANIA
INITIALED AGREEMENT IN PRINCIPLE ON COMPENSATION
FOR NATIONALIZED IRON MINES AT END EIGHTH ROUND
NEGOTIATIONS DECEMBER 17-19. PARTIES AGREED SIGN
FORMAL DETAILED AGREEMENT AROUND JANUARY 15 IN
NOUAKCHOTT. AT INSISTENT REQUEST GIRM, NO ANNOUNCE-
MENT OF AGREEMENT WILL BE MADE UNTIL THEN. SHAREHOLDERS'
REPS ANTICIPATE GIRM WILL ACCOMPANY JANUARY SIGNING
WITH MAJOR PR SPLASH.

2. AGREEMENT IN PRINCIPLE PROVIDES: AMOUNT OF
COMPENSATION SLIGHTLY BELOW NET BOOK VALUE; TOTAL
TO BE PAID IN CASH IN EQUAL INSTALLMENTS EACH
DECEMBER 31 OVER FIVE YEAR PERIOD; SHAREHOLDERS
GUARANTEE TO PURCHASE (I.E., "STAND READY TO BUY
IF AVAILABLE") A "QUITE SUBSTANTIAL" QUANTITY OF
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IRON ORE ANNUALLY OVER THREE YEAR PERIOD; GIRM

WILL PAY OFF ALL OUTSTANDING SHAREHOLDERS LOANS,
OVER AND ABOVE INDEMNITY; AND BLANKET QUIETUS ON ALL
TAX CLAIMS AND LEGAL PROCEEDINGS (CIVIL AND CRIMINAL).
PREVIOUSLY DISCUSSED FORMULA OF PAYMENTS IN IRON
ORE WAS DROPPED COMPLETELY.

3. WHEN PRESSED BY GIRM CHIEF NEGOTIATOR, MINSTATE
NATIONAL ECNOMY, TO DECLARE AGREEMENT WAS "JUST AND
EQUITABLE", SHAREHOLDERS DECLINED TO SAY EVEN THAT
AGREEMENT WAS "SATISFACTORY", LIMITING THEMSELVES
TO "WE HAVE REACHED AGREEMENT". ONE SHARHOLDER REP
IN FACT TOLD MINSTATE THAT AGREEMENT WAS "ROTTEN".

4. SHAREHOLDERS DECISION TO SIGN LESS THAN SATISFACTORY
SETTLEMENT BASED ON RECOGNITION (A) POLITICAL, ECONOMIC
AND BUDGETARY COST OF SAHARA ADVENTURE, AND (B) POSSI-
BILITY WIDENING CONFLICT WITH ALGERIA (POLITICAL,
GUERILLA AND ECONOMIC) COULD RESULT IN SIGNIFICANTLY
DECREASED MAURITANIAN WILLINGNESS AND ABILITY TO PAY.
THUS TAKE IT AND RUN; LATER DEAL CERTAINLY WILL NOT
BE ANY BETTER AND MIGHT BE SIGNIFICANTLY WORSE.

5. IN EYES OF SHAREHOLDERS AND FRENCH AMBASSADOR,
GIRM DECISION TO SIGN WAS CLEARLY POLITICAL ACT
TAKEN BY GOVERNMENT WHICH RECOGNIZES PRESSING NEED
FOR FRENCH SUPPORT AND IS ANXIOUS TO REMOVE LAST
STUMBLING BLOCK TO EXTENSIVE FRENCH AID PROGRAM
(SEE NOUAKCHOTT 2640). PRESIDENT, FOR EXAMPLE,
INTERVENED PERSONALLY TO "PERSUADE" MINSTATE TO
ACQUIESCE IN MIFERMA INSISTENCE ON SHORTER REPAYMENT
PERIOD.HANDYSIDE

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